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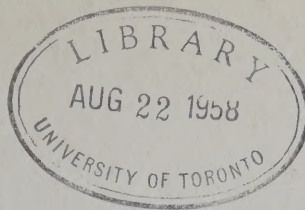
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Ontario. Hydro-Electric
Inquiry Commission, 1922-1924

J. ALLAN ROSS
Commissioner

FINANCIAL



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HYDRO-ELECTRIC INQUIRY COMMISSION

(HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO)

Reports on investigation of accounts

REPORT ON INVESTIGATION OF ACCOUNTS
OF
RIDEAU SYSTEM
DATED NOVEMBER 7, 1922

Price, Waterhouse & Co.
ROYAL BANK BUILDING
TORONTO, ONT., CANADA

PRICE, WATERHOUSE & CO.

UNITED STATES, CANADA, MEXICO.
GREAT BRITAIN.

ROYAL BANK BUILDING

CONTINENTAL EUROPE, ETC.
PRICE, WATERHOUSE, PEAT & CO.
SOUTH AMERICA
PRICE, WATERHOUSE, FALLER & CO.
ALSO, GREAT BRITAIN
W. B. PEAT & CO.

TORONTO

November 7, 1922.

W. D. Gregory, Esq., Chairman,
Hydro-Electric Inquiry Commission,
Toronto, Ontario.

Dear Sir:-

RIDEAU SYSTEM

In accordance with instructions received, we have made a general investigation of the accounts and records relating to the Rideau System operated, under trusteeship, by the Hydro-Electric Power Commission of Ontario, and as a result thereof we have prepared and attach hereto the following Exhibits:

I Operating Account

Ia Analysis of Revenue from Municipalities together with Horse Power Loads and Rates

II Statement showing the basis of the annual rate of Reserve for Renewals

III Excerpts from contract with Municipality of Perth for supply of electrical power

IV Excerpts from contract with Rideau Power Company, Limited, for purchase of elec- trical power

V Information obtained from records, re Mississippi River Improvement Company, Limited

We are now pleased to report upon these Exhibits and other matters pertaining to the System, viz:

SCOPE OF INVESTIGATION

The accounts of the Rideau System are contained in and form a part of the general books of the Hydro-Electric Power Commission of Ontario, and in view of the fact that the books and

accounts of the Commission have been audited by Mr. G.T. Clarkson, F.C.A., of Messrs. Clarkson, Gordon & Dilworth, from the commencement of operations in October 1918, to October 31, 1921, and as instructed by you, our investigation has embraced a general review of the accounts and an inquiry into such important questions of principle involved therein, as came to our attention. The following accounts of the Rideau System are commented upon herein, in detail:

<u>ACCOUNTS</u>	<u>BALANCE AS AT</u> <u>OCTOBER 31, 1921.</u>	
	<u>DEBIT</u>	<u>CREDIT</u>
<u>CAPITAL INVESTMENT</u>	\$1,074,004.45	-
<u>OPERATING ACCOUNT</u>	-	-
<u>RESERVE FOR RENEWALS</u>	-	\$38,365.47
<u>RESERVE FOR SINKING FUND</u>	-	-
<u>RESERVE FOR CONTINGENCIES</u>	-	1,183.31
<u>POWER ACCOUNTS RECEIVABLE</u>	45,272.20	-
<u>ACCOUNTS IN RESPECT OF</u> <u>COST OF POWER (ADJUSTED)-</u>		
<u>Accounts Receivable</u>	4,088.85	-
<u>Accounts Payable</u>	-	3,505.68

HISTORY AND ORGANIZATION

The Rideau System is held by the Hydro-Electric Power Commission of Ontario, under Trusteeship, to the municipalities within that System. The physical properties consist of development plants situated at High Falls and Carleton Place, on the Mississippi River in the County of Lanark; also, low tension lines and transformer stations, thus providing for serving electrical power to the municipalities and to others lying within the economic limits of the System.

The Rideau System commenced operations on a small scale in October 1918 when the Commission began to serve the Town of Smith's Falls with power purchased under contract from the Rideau Power Company, Limited, the plant of which, located at Merrickville, was stated in 1919, to be capable of producing 1,000 Horse Power. Under the agreement dated January 25, 1918, with that Company, as shown in

excerpts thereof on Exhibit IV, the Commission contracted to purchase a minimum of 500 Horse Power for a period of twenty years at a rate of \$14.00 per horse power, this quantity of power to be increased upon notice from the Commission, until the ultimate supply reaches the amount available at the Company's plant after first supplying the requirements of the Village of Merrickville, which purchases power direct, from the Rideau Power Company, Limited.

During 1918 the Commission commenced construction of a development plant at High Falls on the Mississippi River, which work was completed in May 1920. Since that date the supply of power for the System has been obtained from this new development plant. This project was approved by the Lieutenant-Governor July 4, 1918, by Order-in-Council, as follows:

"The Committee of Council advise that pursuant to the provisions of the Power Commission Act, Chapter 39, R.S.O. 1914 and amendments thereto, the Hydro-Electric Power Commission of Ontario be authorized to develop the water power at High Falls on the Mississippi River in the Townships of Sherbrooke and Dalhousie County of Lanark, Province of Ontario, such authority to cover the following matters-

1. The acquiring by purchase, lease or otherwise of the necessary lands, waters, water privileges and water powers for the developing of the said water power.
2. The purchase of the necessary material and equipment for construction of plant for generation of 3,000 horse power of electrical energy and for its transformation for transmission to the various municipalities in that District.
3. The purchase of necessary material and equipment for the construction of transmission lines and transformer stations for the delivery of the said power to the various municipalities in that District."

While in the Order-in-Council reference is made to the application of the Commission, "dated 26th June, 1918", upon inquiry and also upon reference to the correspondence files, it is found that the application therein, is dated June 25th, 1918. The letter of June 25th, is directed by the Chairman of the Commission to Sir William Hearst,

Prime Minister of Ontario, and in substance contains the same description as that given in the foregoing excerpts. Further information included in the letter, with reference to the estimated cost of the work, is as follows:

"The work contemplated consists of the complete development of the High Falls for 3000 h.p. and 22 miles of High Tension line to Perth, at a total estimated cost of \$340,000."

In 1919 the Commission purchased for \$60,000 from the Town of Carleton Place a power plant on the Mississippi River, consisting, in the main, of a dam, buildings, machinery, etc. together with a tract of land, and seventy-five shares of capital stock, of a par value of \$100 each, of the Mississippi River Improvement Company, Limited, on which \$4,125.00 had been paid, representing assessments to that date against the shareholders. We have been informed by the Accountant of the Hydro-Electric Power Commission that a separate valuation of this capital stock has not been placed on the books of the Commission due to the uncertain value thereof, and no further assessments have been made, in respect of the unpaid subscription balance, by the Mississippi River Improvement Company, Limited. Further information relative to this Company is given on Exhibit V.

Under date of May 12, 1919, the Chief Engineer directed a memorandum to the Secretary of the Commission stating reasons for the necessity of purchasing the Carleton Place generating station, as follows:

"In the Municipality of Carleton Place, there is a generating station capable of producing 500 H.P. recently taken over from the private concern of H. Brown & Sons, along with distribution lines, and other plant, lines, etc. The capacity of this plant is not sufficient to meet the power requirements of the Municipality of Carleton Place. It is estimated that about 300 H.P. additional is required immediately.

Considerable investigations have been made in this district to determine what water powers are most suitable for development. Conclusions have been reached that the Mississippi River is the most desirable for development by reason of the fact that the powers on this

river are geographically located to advantage for serving this district and also these powers are of adequate capacity to warrant the Commission developing same.

In addition to the power at High Falls, which is located on this river, and the power at Carleton Place, there is power at Almonte which the Commission is desirous of acquiring and developing. The storage on the river is partially developed by the Mississippi River Improvement Co., who own these storages and charge toll for the maintenance and upkeep of the dams on these storages. For the proper and most efficient control of the flow of the water on this river and for the purpose of obtaining the maximum power from the High Falls generating station, now being constructed, it is especially necessary that the plant at Carleton Place be owned and controlled by the Commission. This plant is at the foot of a large lake known as the Mississippi Lake upon which there is considerable storage. Below Carleton Place there are a large number of power users and it is proposed to regulate the flow and requirements of these power users by controlling the Carleton Place plant. All other storage on the river is located above High Falls generating station and it is proposed to control this storage to meet the requirements of this plant, regardless of the requirements below, which can be looked after by regulating the Carleton Place plant.

The Municipality of Carleton Place took possession of H. Brown & Sons property on May 1st and is desirous of obtaining possession of this plant immediately."

In making application for Order-in-Council covering the purchase of this property, the Secretary of the Commission addressed a letter, under date of May 22, 1919, to the Attorney General, excerpts of which follow:

"Brown Brothers were the owners of a generating and distributing system in the Municipality of Carleton Place, capable of generating in its present capacity about 600 h.p. This was insufficient for the Municipality's needs. They, with the surrounding Municipalities petitioned the Commission for additional power and, accordingly negotiations were entered into for the purchase of the Brown Brothers' plant and property. With the approval of the Commission an option was taken in favor of the Municipality for \$100,000, and this plant, as situated, formed an important part of the supplying of power to that district, together with the fact that the Commission were already erecting a generating plant at High Falls, and in order to control the necessary storage on the Mississippi, the acquiring of the Brown Brothers' plant, carrying with it certain storages on the river was decided necessary.

An arrangement was made with Carleton Place that they should retain the distribution system purchased from Brown Brothers, at \$40,000 and the Commission take over the generating plant for \$60,000.

The option to the Municipality expired on May 1st, last, and they took over the property, paying over their \$40,000 and arranged with the Bank for the advance of \$60,000, being the balance of the compensation pending the completion of the sale to the Commission.

I am instructed by the Commission to say that they recommend the purchase of the property, as set out, herein, and respectively request that an Order-in-Council be passed at as early a date as possible, authorizing the purchase."

The Lieutenant-Governor approved an Order-in-Council dated May 20, 1919, authorizing the Hydro-Electric Power Commission of Ontario "to purchase at the price of Sixty thousand dollars (\$60,000) the generating Station and apparatus at Carleton Place recently purchased by the Municipality of Carleton Place from Messrs. Brown Brothers."

As at October 31, 1921, the Commission was supplying power to the municipalities of-

<u>Municipality</u>	<u>Date Commenced Operating</u>
Smith's Falls	September, 1918
Perth	February, 1919
Carleton Place	May, 1919
Lanark	September, 1921

and for the purpose of ascertaining the form of agreement in use on the Rideau System in respect of supplying electrical power to these municipalities, we examined the agreement of the Commission with the Municipal Corporation of the Town of Perth, dated November 26, 1917 (for 500 horse power or more), excerpts from which are shown on Exhibit III attached hereto.

With reference to the supplying of power to consumers, the following is stated in the Fourteenth Annual Report of the Hydro-Electric Power Commission for the year ended October 31, 1921, under date of March 30th, 1922.

"Negotiations have been concluded between the Commission and a Company, for the delivery to the Company of a large block of power for industrial purposes. The addition of this load will greatly assist in utilizing the reserve generating capacity of the system. The

contract with this industry is a short term agreement, and it is considered advantageous, as the power will be available for the municipalities when they are able to utilize the full capacity of the plant themselves.

The Commission will be able to deliver the anticipated requirements of the system during the next fiscal year from the High Falls plant without operating the Carleton Place plant. There is still an appreciable amount of reserve power on the system available to supply additional loads."

The Company referred to in the foregoing, is the Crenville Crushed Rock Company, Limited, of the Town of Smith's Falls, Ontario, the contract of this Company with the Hydro-Electric Power Commission bearing date of March 1, 1922, and extending for a period of four years from the date power shall be first taken, which date is April 1, 1922. The agreement may be extended for further terms of one year each, upon the mutual agreement of both parties.

Among other stipulations, the Commission agrees to reserve for and deliver to the Company 650 horse power of electrical power, and the Company agrees to pay therefor, at the rate of \$45.00 per horse power, per annum, and to purchase exclusively from the Commission for the term mentioned, such power as may be required.

As security to the Commission for the due carrying out by the Company of the covenants and provisos set forth in the agreement, a bond in the amount of \$3000, issued by The Guarantee Company of North America, Montreal, was deposited by the Company with the Commission.

CAPITAL INVESTMENT - \$1,074,004.45:

The investment in plant, equipment, etc. of the Rideau System embraces the following, the balances being shown at the close of each fiscal year, for the four years ending October 31,

1921, (cents omitted):

<u>As at October 31</u>				
<u>Accounts</u>	<u>1918</u>	<u>1919</u>	<u>1920</u>	<u>1921</u>
Power Development	\$ 30,955	\$430,516	\$ 746,941	\$ 756,385
Wood Pole Lines	103,469	218,717	233,602	280,654
Transformer Stations	17,174	32,234	49,844	57,065
Total	\$ 151,598	\$681,467	\$1,032,387	\$1,074,004

The investment in the Power Development, consists of expenditures amounting to \$696,284.88, covering the cost of construction and equipment of a new generating plant at High Falls, and the expenditure of \$40,000.00, paid to the Town of Carleton Place for the power plant, etc. as before mentioned.

Inasmuch as the accounts have previously been audited, it has been considered unnecessary for us to verify in detail the expenditures on capital account and they have therefore been accepted as correct. Particulars of the expenditures as indicated by the classification of accounts were submitted to you on August 2, 1922.

As obtained from the books and records of the Commission the cash advances by the Provincial Government and the expenditures therefrom are as follows:

<u>Period</u>	<u>Advances by Province</u>	<u>Expenditures by Commission</u>	<u>Unexpended</u>
Year ending October 31,			
1918	\$ 107,945.00	\$ 151,598.61	\$ 43,653.61
1919	500,000.00	529,868.37	29,868.37
1920	363,000.00	386,936.94	\$ 12,079.06
1921	42,416.07	41,616.53	799.54
Total	\$1,013,361.07	\$1,074,004.45	

These advances by the Province have been verified by us, by comparison of the amounts with the detailed items included in the Public Accounts of the Province of Ontario, published, annually, by order of the Legislative Assembly of Ontario. The cash to meet the

expenditures, made by the Commission, in excess of the sums advanced by the Province, was obtained from advances made for the purpose of other systems, and in our general report upon the accounts of the Hydro-Electric Power Commission of Ontario, we propose to deal with the question of the application of the advances by the Province.

Estimate of Additional Funds required
for Construction - \$120,000.00:

It has been estimated by the engineers of the Hydro-Electric Power Commission of Ontario that additional funds of \$100,000.00 and of \$20,000.00 respectively, will be required for the Rideau System in order to complete, during the fiscal years ending October 31, 1922 and 1923, minor extensions and betterments at High Falls and other stations in the System, together with expenditures on account of Rural Distribution in Townships already under application. These estimates are set forth in the estimates of the Province of Ontario for the fiscal years ending October 31, 1922 and 1923, printed by order of the Legislative Assembly of Ontario.

OPERATING ACCOUNTS:

Operating Accounts of the Rideau System for the month of October, 1918, and for each of the three years ending October 31, 1921, are attached hereto, Exhibit I, which is supported by Exhibit Ia, giving further details in respect of revenue and of rates for power. For convenience of reference the following brief

summary of the operating results is given (cents omitted):

Particulars	Month of October 1918	Years ending October 31		
		1919	1920	1921
Revenue (per operating account)	\$ 494	\$27,351	\$65,523	\$89,014
Operating Cost, including power purchased	\$ 313	\$14,809	\$21,240	\$22,067
Fixed Charges	181	12,542	44,283	66,947
Total	\$ 494	\$27,351	\$65,523	\$89,014
Balance	\$11	\$11	\$11	\$11
Percentage of Fixed Charges to Total Expenses	36.64%	45.86%	67.58%	75.20%

It will be seen from the above summary that the municipalities were charged with the cost of power including expenses and fixed charges applicable to the System.

The operating results shown above are those stated in the published accounts of the Commission. As at October 31, 1921, adjustment was made of the Reserve for Renewals resulting in a credit to municipalities of \$3,071.90, and to the Rideau Power Development of \$286.20, applicable in 1919 and 1920. In the aggregate, the effect of this adjustment is a reduction of approximately, 1.5% in 1919 and 1.3% in 1920 in the ratio of the fixed charges to the total expenses.

The Operating Account prepared by the Accountant of the Commission for the ten months ending August 31, 1922, based partly on estimates, shows an excess of receipts over expenses, of \$4,304.97 at the 1922 rates stated on Exhibit Ia, interest on capital investment included in the charges, being calculated at the estimated interim rate of 6% per annum, as compared with the actual rate used in

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1921, of 4.55%. The average monthly operating expense, including fixed charges, amounts on the foregoing basis to \$9,065.10 for the ten months ending August 31, 1922, as compared with \$7,417.83 representing the monthly average for the twelve months ending October 31, 1921, or an average monthly increase in the 1922 operating expenses of \$1,647.27. This increase is largely due (in fact to the extent of \$1,439.63) to the difference in the interest rates used, as the increase in the capital investment upon which the interest charge is based, is only, approximately, \$3,000. Additional power purchased caused an average monthly increase of \$134.40.

While we have not audited the operating account for 1922, we have made careful inquiry into the manner of compiling the figures, and we find it to be systematically prepared, monthly, in considerable detail as to subsidiary accounts, and the form permits ready comparison between months, during the entire period; also, that the same basis has been used, excepting where estimates have been made, as for the years upon which we are reporting, herein. The estimates made, are in respect of interest, sinking fund and renewal provisions and extraordinary maintenance, and are, in our opinion, on a sound basis, and they will, of course, be adjusted to the actual amounts chargeable, determined at the time of the annual adjustment of the accounts.

The electrical power purchased under the contract with the Rideau Power Company, Limited, at the rate of \$14.00 per H.P., is as follows:

<u>Period</u>	<u>Average Horse Power</u>	<u>Cost of Power</u>
For the year ending		
October 31-		
1919	669	\$9,365.61
1920	479	6,705.05
1921	363	5,077.20
For the 10 months ending		
August 31, 1922 on an		
average annual basis		
as to Horse Power	398	5,575.03

In explanation of the municipal expenses and the miscellaneous expenses, shown under the caption of overhead expense on Exhibit I, the following details are presented:

<u>Particulars</u>	<u>Years ending October 31</u>		
	<u>1919</u>	<u>1920</u>	<u>1921</u>
<u>Municipal Expenses</u>			
Municipal Auditors	\$ 116.75	\$ 231.95	\$ 53.56
Municipal Engineers	18.00	1,056.74	214.67
Municipal Administration	1,479.12	1,290.44	1,070.67
Municipal Departments	-	-	1,085.05
<u>Total</u>	<u>\$1,613.87</u>	<u>\$2,579.13</u>	<u>\$2,423.95</u>
<u>Miscellaneous Expenses</u>			
Estimating Department	\$ 38.22	\$ 268.48	\$ -
Executive Expense	97.50	260.66	150.72
Electrical Engineering Department	-	22.96	-
Overhead Operating Expense	-	289.91	459.28
Automobile Expense	-	168.75	-
All Stations and Lines, Undistributed expense	-	40.11	6.23
Laboratory operation	-	-	279.54
Garage Operation	-	-	166.78
Miscellaneous	-	-	221.01
<u>Total</u>	<u>\$ 135.72</u>	<u>\$1,020.87</u>	<u>\$1,283.56</u>

RESERVE FOR RENEWALS - \$38,365.47:

During the period from the commencement of operations in 1918, to October 31, 1920, the additions to the Reserve for Renewals in respect of properties of the Rideau System, were provided through the inclusion in the cost of power to the municipalities, of an annual charge of 2.25% on the capital investment. Interest at the rate of 4% per annum on the balance in the Reserve Account has been credited to that account.

In the fiscal year ending October 31, 1921, upon the advice of its engineers, the Commission reduced the annual renewal rate from 2.25% to 1.85% on the capital investment, while the interest rate of

4% remained unchanged. The accounts of the Commission were so adjusted that the rate of 1.85% was made effective from the inception of the System to October 31, 1921, and the cost of power to the municipalities was correspondingly reduced. The amount of the adjustment was \$3,358.10 and the effect in each year is as follows:

<u>Particulars</u>	<u>1919</u>	<u>1920</u>	<u>Together</u>
Annual Provision	\$ 749.37	\$2,578.75	\$3,328.12
Interest thereon	-	29.98	29.98
<u>Together</u>	<u>\$ 749.37</u>	<u>\$2,608.73</u>	<u>\$3,358.10</u>

The summary of the Reserve Account, with a balance of \$38,365.47 as constituted, at October 31, 1921, upon the 1.85% basis is as follows:

<u>Particulars</u>	<u>Provision</u>	<u>Interest</u>	<u>Together</u>
1918- October 31, 1919 (part year)	\$ 3,465.85	\$	\$ 3,465.85
Fiscal year ending October 31,			
1920	11,926.83	138.62	12,065.45
1921	19,197.81	621.25	19,819.06
<u>Together</u>	<u>\$34,590.49</u>	<u>\$ 759.87</u>	<u>\$35,350.36</u>
Add- Reserve applicable to equipment transferred to the system		2,967.75	
Interest applicable thereto		154.87	3,122.62
<u>Together</u>			<u>\$38,472.98</u>
Deduct- Sundry Charges			107.51
<u>Balance, at October 31, 1921</u>			<u>\$38,365.47</u>

The annual rate was determined by a reclassification of the properties as reflected in the book accounts as at October 31, 1920, made by the Engineering Department of the Commission. The reclassification of the properties, the estimated life, residual value, etc. are set forth in Exhibit II. The actual rate arrived at was 1.846%, as shown in the exhibit, while a rate of 1.85% was adopted as a matter

of accounting convenience. In arriving at the above mentioned rate, clerical errors in the computation were made by the Engineering Department; we find, therefore, that the ratio of the required annual provision on the basis of the properties as at October 31, 1920 was 1.228%, instead of 1.846%, a difference of .618%. The corrected figures are also given in Exhibit II. As a result of this discrepancy, we understand, the Commission is now considering the advisability of a further reduction in the annual renewal rate of 1.85% as used and a consequent adjustment of the entire Reserve for Renewals Account. The cost of power to the municipalities would, of course, be decreased in the years covered by any adjustment in this regard, provided the former procedure is followed.

The sinking fund basis of making additions to the Reserve at the rate of 1.85%, together with interest at 4% per annum is equivalent to a so-called straight line provision of approximately $3\frac{1}{2}\%$ for a period of about twenty-nine years. That is, while the annual provisions under the two methods differ in amount either method would accumulate the sum required in approximately that period.

RESERVE FOR SINKING FUND:

In view of the fact that no municipalities in the Rideau System had been receiving power therefrom for a period of five years they have up to the present been relieved in accordance with the provisions of the Power Commission Act (Section 23) from the necessity of making payments into the sinking fund.

RESERVE FOR CONTINGENCIES- \$1,183.31:

The Reserve for Contingencies was established by the Commission for the purpose of providing for special losses or expenses not arising at regular intervals, and not wholly applicable to the

period in which incurred. Authority for the creation of such a reserve is given in Section 14b of the Power Commission Act. The Reserve for Contingencies for this System is provided by inclusion in the cost of power of an amount equivalent to 25 cents per horse power per annum, on the electrical power charged the respective municipalities. Provision in past years on this basis has been made as follows:

Year ending October 31, 1919	\$ 207.70
" " " " 1920	409.38
" " " " 1921	532.90
Total	<u>\$1,149.98</u>
Add-	
Interest at 4% per annum for above period	33.33
<u>Balance as at October 31, 1921</u>	<u>\$1,183.31</u>

ACCOUNTS WITH MUNICIPALITIES:

Accounts with municipalities are divided by the Commission, in the main, as follows:

Power Accounts Receivable

Due by or to Municipalities in
respect of the Cost of Power
furnished them as determined
under the Power Commission
Act

Power Accounts Receivable- \$45,272.20-

These accounts represent unpaid balances in respect of interim power bills rendered which at October 31, 1921 amounted to \$45,272.20. At September 20, 1922, the date inquired into by us, all accounts as at October 31, 1921 had been paid.

Due by or to Municipalities in Respect of Cost of Power-

Accounts Receivable - \$4,088.85

Accounts Payable - 3,505.68

At the close of each fiscal year the interim power bills rendered monthly are adjusted to meet the operating costs of the System, determined as provided for in Sections 6c and 23 of the Power Commission Act. Following are the amounts of the adjustments required of interim bills rendered each year, for the three years ending October 31, 1921 (cents omitted):

<u>Particulars</u>	<u>Fiscal year ending October 31</u>		
	<u>1919</u>	<u>1920</u>	<u>1921</u>
Amounts due by certain municipalities, being the excess of the Cost of power over the Sums charged therefor, during the period	\$1,719	\$5,308	\$ -
Deduct-			
Amounts due to certain municipalities, being the excess of the sums charged for power furnished, over the cost of power during the period	3,991	2,164	1,488
Net amount due by or to certain municipalities, based on the adjustment of costs as provided for by the Act	<u>\$2,272</u>	<u>\$3,144</u>	<u>\$1,488</u>

As a result of the charges or credits, such as the above, one municipality (Perth) had a debit balance representing underpayments in respect of the cost of power, while three municipalities had overpaid. In this connection the following summary has been prepared:

<u>Municipality</u>	<u>Date Commenced Operating</u>	<u>Balance</u>	
		<u>October 31, 1921</u>	
		<u>Debit</u>	<u>Credit</u>
Carleton Place	May 1919		\$ 808.58
Lanark	September 1921		65.04
Perth	February 1919	\$4,088.85	
Smith's Falls	September 1918		2,632.06
	<u>Totals</u>	<u>\$4,088.85</u>	<u>\$ 3,505.68</u>

The under-payment of \$4,088.85, representing cost of power to the municipality of Perth, extends back to 1919, and is made up as follows:

<u>Year ending October 31,</u>	<u>Charge</u> <u>credit</u>	<u>Interest</u>	<u>Total</u>
1919	\$1,719.27	-	
1920	3,506.27	\$ 68.77)	
1921	211.73	169.25)	\$5,151.84
Deduct- Portion of adjustment in respect of Reserve for Renewals, applicable to the Municipality of Perth			1,062.99
<u>Balance as above</u>			<u>\$4,088.85</u>

A further adjustment of the Reserve for Renewals now being considered by the Commission, in reduction of rates previously charged, will, when applied in the same manner as the similar adjustment previously made, reduce the balance standing as a charge against the municipality of Perth as well as increase the credit balances of the other municipalities listed above.

Yours very truly,

Price, Waterhouse & Co.

HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO

RITMAN SYSTEM - OPERATING ACCOUNT

Particulars	Month of October 1918	Year ending October 31,		
		1919	1920	1921
<u>REVENUE from Municipalities</u>	\$ 494.12	\$27,350.75	\$65,523.01	\$89,013.94
<u>COST of OPERATING, including portion of Administrative Expense:</u>				
Power Purchased	\$ -	9,365.61	6,705.05	5,077.20
Power Development and Transformer Stations				
Operating -				
Labor	64.79	1,113.93	3,857.60	5,285.22
Material and Expense	145.80	269.66	1,216.08	3,052.76
Maintenance -				
Land, Buildings and Structures	-	-	11.91	167.70
Electric Equipment	-	60.45	162.68	509.94
Switchboard and Meters	-	248.02	306.91	-
Miscellaneous Equipment	16.82	232.36	1,716.78	1,082.02
Taxes, Insurance and General Expenses	37.95	35.89	141.28	118.77
Transmission Lines -				
Maintenance -				
Patrolling	14.50	231.97	264.59	610.10
Pole Lines	-	-	295.81	14.64
Conductors and Cables	-	19.25	101.43	7.50
Miscellaneous Expense	32.81	66.59	272.49	119.27
Overhead Expense -				
Head Office Salaries and Expenses	-	1,416.78	2,588.69	569.48
Field Office Salaries and Expenses	-	-	-	646.83
Municipal Expenses	-	1,613.87	2,879.13	2,423.95
Extraordinary Maintenance	-	-	-	1,078.06
Miscellaneous Expenses	-	135.72	1,020.87	1,263.56
<u>Total Expenses -</u>	\$ 312.65	\$14,609.12	\$21,240.28	\$22,086.99
<u>Balance before deducting Fixed Charges</u>	\$ 181.47	\$12,541.61	\$44,282.73	\$66,946.95
<u>Fixed Charges -</u>				
Interest on Capital Investment	\$ 181.47	8,118.69	22,567.77	47,216.24
Provision for Renewals	-	4,215.22	14,505.58	19,197.82
Provision for Contingencies	-	207.70	409.38	532.60
<u>Total Fixed Charges -</u>	\$ 181.47	\$12,541.61	\$44,282.73	\$66,946.95
<u>Balance</u>	\$11	\$11	\$11	\$11

HYDRO - ELECTRIC POWER COMMISSION OF ONTARIO

RIDEAU SYSTEM

ANALYSIS OF REVENUE FROM MUNICIPALITIES TOGETHER WITH
HORSE POWER LOADS AND RATES

(Subsidiary to Operating Account)

Particulars	R E V E N U E			Average Horse Power	Actual Cost per H.P. (adjusted)	Interim Rates per H.P.
	Per Operating Account	Renewal Adjustment	Adjusted			
Year ending October 31, 1919-						
Carleton Place	\$ 5,211.59	\$ 121.19	\$ 5,090.40	246.8	\$ 20.63	\$ 33.00
Perth (February 1919)	8,344.41	320.79	8,073.62	145.5	55.15	32.00
Smith's Falls	11,160.34	202.13	10,958.21	365.9	28.40	28.00
Rideau Power Development	2,634.39	105.26	2,529.13	52.6	48.08	14.00 plus \$543.10 per month for fixed charges
Total	\$ 27,350.73	\$ 749.37	\$ 26,601.36	630.8		
Year ending October 31, 1920-						
Carleton Place	\$ 21,633.75	\$ 818.31	\$ 20,815.44	616.8	\$ 33.75	\$ 33.00 to May 31 44.95 to October 31
Perth	17,915.71	729.37	17,186.34	382.0	44.99	32.00 to May 31 41.80 to October 31
Smith's Falls	22,008.52	854.34	21,154.18	586.7	36.06	28.00 to May 31 38.32 to October 31
Rideau Power Development	3,965.03	176.73	3,788.30	52.0	72.85	14.00 plus \$543.10 per month for fixed charges
Total	\$ 65,523.01	\$ 2,578.75	\$ 62,944.26	1,637.5		
Year ending October 31, 1921-						
Carleton Place	\$ 31,588.65	\$ -	\$ 31,588.65	730.0	43.27	\$ 44.95 to January 1 44.00 to October 31
Perth	22,941.27	-	22,941.27	524.1	43.77	41.80 to January 1 45.00 to October 31
Smith's Falls	34,249.98	-	34,249.98	874.4	39.17	38.32 to January 1 40.00 to October 31
Lanark (September 1921)	234.04	-	234.04	3.2	* 73.13	92.50
Total	\$ 89,013.94	\$ -	\$ 89,013.94	2,131.7		
Interim Rates ten months ending August 31, 1922-						
Carleton Place				649.9		\$ 44.00
Perth				415.9		45.00
Smith's Falls				708.6		40.00
Lanark				26.8		92.50
Kemptville (started operating December 1921)				73.6		80.00
Orenville Crushed Rock Company, Limited				243.1		45.00

* NOTE:

Electrical power delivered to these municipalities during part
of the year only, has been put on annual basis.



HYDRO - ELECTRIC POWER COMMISSION OF ONTARIO

RIVER SYSTEM

STATEMENT SHOWING BASIS OF ANNUAL RATE FOR THE RESERVE FOR MATERIALS

Particulars	Capital Investment (October 31, 1920)		Estimated Residual Value		Reserve to be		Provided	
	Total Amount	Estimated Life (in years)	% of Investment	Amount	Total Amount	Annual Provision (Sinking Fund Basis) % of Investment	Annual Provision (corrected) (Sinking Fund Basis) % of Investment	
TRANSMISSION LINES-								
Right-of-way	\$ 10,061	-	100	\$ 10,061.	\$ -	\$ -	\$ -	
Aluminum Cable	68,261.	75	60	40,957.	27,304.	246.17	60.86	
Steel Cable	5,370.	20	10	537.	4,833.	219.46	162.30	
Pole Line	145,911.	16	5	7,406.	142,415.	8,262.24	6,525.65	
Together	\$233,603.	-	-	\$ 56,051.	\$174,552.	\$ 8,717.90	3.732	\$6,748.61 2.889
TRANSFORMER STATIONS-								
Site	\$ 147.	-	100	\$ 147.	\$ -	\$ -	\$ -	
Buildings	5,245	60	20	1,045.	4,196.	61.36	17.63	
Electrical Equipment	43,632.	25	20	8,704.	35,088.	1,241.30	841.81	
Mechanical Equipment	639.	25	5	32.	598.	21.17	14.36	
Together	\$ 49,544.	-	-	\$ 9,922.	\$ 39,622.	\$ 1,313.83	2.635	873.80 1.753
GENERATION - HYDRAULIC								
Excavation, Land, etc.	\$144,958.	-	100	\$144,958.	\$ -	\$ -	\$ -	
Wood Flume	17,717.	20	2.5	443.	17,274.	759.04	580.10	
Concrete, miscellaneous	50.	100	-	-	50.	.29	.04	
Power-house substructure	119,538.	100	-	-	119,538.	703.55	96.91	
Power-house superstructure	12,742.	100	-	-	12,742.	74.74	10.30	
Turbines and Governors	55,215.	25	5	2,761.	52,454.	1,887.27	1,259.53	
Bridge (timber)	2,010.	20	25	753.	2,357.	104.50	76.79	
Mechanical Equipment, etc.	114.	25	5	26.	446.	17.28	11.72	
Racks	243.	25	5	13.	231.	6.25	5.58	
Stop Logs	1,768.	25	5	70.	1,323.	46.84	31.77	
Valves	3,496.	25	5	174.	3,392.	116.01	76.29	
Dams	146,554.	100	-	-	146,554.	852.70	116.42	
Headworks substructure	25,153.	100	-	-	25,153.	147.58	20.53	
Headworks superstructure	4,771.	100	-	-	4,771.	27.89	3.85	
Distributor - concrete	1,764.	100	-	-	1,764.	10.35	1.43	
Together	\$537,503.	-	-	\$149,197.	\$368,306.	\$ 4,765.19	.387	\$2,255.03 .427
Forward	\$220,980.	-	-	\$218,240.	\$602,710.	\$14,786.94		\$9,517.44

Particulars	Capital Investment (October 31, 1920)		Estimated Residual Value		Reserve to be Annual Provision (as used) (Sinking Fund Basis)			Provided Annual Provision (corrected) (Sinking Fund Basis)	
	Total Amount	Life (in years)	% of Investment	Amount	Total Amount	Annual Provision	% of Investment	Annual Provision	% of Investment
Forward	\$ 829,560.	-	-	\$218,240.	\$602,710.	\$14,786.94		\$ 9,917.44	
ELECTRICAL - HIGH FALLS									
Site	\$ 42.	-	100	\$ 42.	\$ -	\$ -		\$ -	
Building	39,732.	100	-	-	39,732.	234.07		32.10	
Electrical Equipment	87,776.	25	20	17,555.	70,221.	2,406.31		1,686.15	
Mechanical Equipment	8,142.	25	5	407.	7,735.	273.87		188.73	
Frame structures	14,154.	20	25	3,538.	10,616.	492.08		356.47	
Together	\$ 149,546.	-	-	\$ 21,543.	\$139,303.	\$ 3,475.33	2.319	\$ 2,260.45	1.509
CARLETON PLACE - GENERAL PLANT-									
Land damage	\$ 10,275.	-	100	\$10,275.	\$ -	\$ -		\$ -	
Excavation	7,352.	-	100	7,352.	-	-		-	
Unwatering	699.	-	100	699.	-	-		-	
Dam and Concrete Work	2,085.	100	-	-	2,085.	47.43		6.53	
Frame Buildings	2,543.	25	25	635.	2,658.	120.71		89.23	
Substructure	9,416.	100	-	-	9,416.	55.25		7.61	
Superstructure	4,047.	100	-	-	4,047.	25.74		3.27	
Hydraulic Equipment	10,010.	25	5	501.	9,509.	336.69		228.33	
Electrical Equipment	6,572.	25	20	1,318.	5,257.	168.02		126.26	
Mechanical Equipment	1,647.	25	5	82.	1,565.	58.41		39.58	
Together	\$ 61,636.	-	-	\$21,099.	\$ 40,537	\$ 797.23	1.293	\$ 498.81	.809
Totals	\$ 1,032,432.	-	-	\$260,982	\$771,560.	\$19,050.60	1.846	\$12,676.70	1.228

CAPITAL ACCOUNT FOR DEBTS AT OCTOBER 31, 1920

Power Development-		
Hydraulic	\$577,502.94	
Electric	149,046.29	
	\$627,349.44	
Carleton Place	61,635.59	
Stations	40,844.77	
Lines	233,602.44	
Total as above	\$1,032,432.24	

SPECIFICATION OF AGREEMENT FOR RIDEAU LINKS
OPERATED BY THE COMMISSION

Excerpts from Agreement dated November
26, 1917, entered into by the Hydro-
Electric Power Commission of Ontario
and the Municipal Corporation of the
Town of Perth.

The Commission agrees with the Corporation to reserve and deliver at the earliest possible date, five hundred horse power (500 h.p.) or more of electrical power to the Corporation, and at the expiration of a reasonable notice in writing, which may be given by the Corporation from time to time during the continuance of this Agreement, to reserve and deliver to the Corporation, additional electric power when called for.

In consideration of the foregoing covenants, the Corporation agrees with the Commission:

To pay annually, in twelve (12) equal monthly instalments, interest upon its proportionate part (based on the quantity of electrical energy or power taken) of all moneys expended by the Commission on capital account for the acquiring of properties and rights, the acquiring and construction of generating plants, transformer stations, transmission lines, distributing stations and other works necessary for the delivery of said electrical energy or power to the Corporation under the terms of this contract.

To pay an annual sum for its proportionate part of all moneys expended by the Commission on capital account for the acquiring of the said properties and rights, purchasing of power and the cost of the said construction, so as to form in thirty (30) years a sinking fund for the retirement of securities issued by the Province of Ontario. Also to bear its proportionate part of the line loss and pay its proportionate part of the cost to operate, maintain, repair, renew and insure the said generating plants, transformer stations, transmission lines, distributing stations and other necessary works. All payments under this clause shall be subject to adjustment under paragraph 6.

The amounts payable under this contract shall be paid in twelve monthly payments, and bills shall be rendered by the Commission on or before the 5th day and paid by the Corporation on or before the 15th day of each month. All payments in arrears shall bear interest at the legal rate.

To take electric power exclusively during the continuance of this Agreement, from the Commission.

(c) To pay for three-fourths of the power ordered from time to time by the Corporation and held in reserve for it as herein provided, whether it takes the same or not. When the highest average amount of power taken for any twenty consecutive minutes

during any month exceeds during the twenty consecutive minutes three-fourths of the amount ordered by the Corporation and held in reserve, then the Corporation shall pay for this greater amount during the entire month.

If the Corporation during any month takes more than the amount of power ordered and held in reserve for it, as determined by an integrated peak, or the highest average, for a period of twenty consecutive minutes, the taking of such excess shall thereafter constitute an obligation on the part of the Corporation to pay for, and on the part of the Commission to hold in reserve, such increased quantity of power in accordance with the terms and conditions of this contract.

(f) To take and use the three-phase power at all times in such manner that the power factor, i.e., the ratio of the kilowatts to the kilovolt amperes is a maximum, but, in any event, the corporation shall pay for 90% of the maximum kilovolt-amperes considered as true power factor or kilowatts. The maximum in kilovolt-amperes or kilowatts shall be taken as the maximum average or integrated demand over any 30 consecutive minutes.

3. This agreement shall remain in force for thirty (30) years from the date of the first delivery of power under this contract.

6. The Commission shall at least annually adjust and apportion the amount or amounts payable by the Municipal Corporation or Corporations for such power and such interest, sinking fund, cost of lost power and cost of generating, operating, maintaining, repairing, renewing and insuring said works.

7. It is hereby declared that the Commission is to be a trustee of all property held by the Commission under this agreement for the Corporations and other municipal corporations supplied by the Commission, but the Commission shall be entitled to a lien upon said property for all moneys expended by the Commission under this agreement and not repaid. At the expiration of this agreement the Commission shall determine and adjust the rights of the Corporations and other municipal corporations, supplied by the Commission, having regard to the amounts paid by them, respectively, under the terms of this agreement, and such other considerations as may appear equitable to the Commission and are approved by the Lieutenant-Governor in Council.

8. If at any time any other municipal corporation, or pursuant to said Act, any railway or distributing company, or any other corporation or person, applies to the Commission for a supply of power, the Commission shall notify the applicant and the Corporation, in writing, of a time and place to hear all representations that may be made as to the terms and conditions for such supply.

In determining the quantity of power supplied to a municipal corporation, the quantity supplied by the Commission within the limits of the Corporation to any applicant, other than a

municipal corporation, shall be computed as part of the quantity supplied to such Corporation, but such Corporation shall not be liable for payment for any portion of the power so supplied. No power shall be supplied by the municipal corporation to any railway or distributing company, without the written consent of the Commission, but the Corporation may sell power to any person or persons, or manufacturing companies within the limits of the Corporation, but such power shall not be sold for less than cost; neither shall there be any discrimination as regards price and quantity.

9. If differences arise between Corporations to which the Commission is supplying power, the Commission may, upon application, fix a time and place and hear all representations that may be made by the parties, and the Commission shall, in a summary manner, when possible, adjust such differences, and such adjustment shall be final. The Commission shall have all the powers that may be conferred upon a commissioner appointed under the "Act respecting Inquiries concerning Public Matters."

HYDRO-ELECTRIC POWER COMMISSION OF ONTARIORIDEAU SYSTEM

Excerpts from Agreement dated January 25, 1918, entered into by the Hydro-Electric Power Commission of Ontario and the Rideau Power Company.

Whereas certain Municipalities have applied to the Commission for estimate on the cost of furnishing them with power.

And whereas the said estimates will be based in part upon this agreement, and the Commission will be required to devote time and skill and expend moneys on the preparation of such estimates and such estimates are to be used for the purposes set forth in the "Power Commission Act."

Now this Indenture witnesseth that in consideration of the premises, and of the mutual covenants and agreements herein, each of the said parties agree with the other as follows:

The Company agrees:

At the expiration of thirty (30) days' notice in writing from the Commission to the Company to reserve and deliver when called for 500 H.P. or more of electrical power to the Commission.

At the expiration of thirty (30) days' notice in writing, which may be given by the Commission to the Company from time to time during the continuance of this agreement, to reserve and deliver to the Commission additional electrical power in blocks of 100 horse-power or more, but not exceeding in all the amount available at the Company's plant in excess of what is required in the Corporation of Merrickville.

At the expiration of twenty-four (24) hours' notice, either verbally or in writing, which may be given by the Commission to the Company from time to time to reserve and deliver to the Commission for a period stated by the Commission a stated amount of "surplus power" in accordance with the terms of this contract.

That the Commission shall not be bound to take or pay for any electrical power until notice shall have been given as above provided.

To give the Commission prior rights to use of all power available in excess of what is required in the Corporation of Merrickville.

To use at all times first-class, modern, standard, commercial hydro-electric power and regulating apparatus and to use all due skill and diligence to maintain the power at the agreed voltage and frequency.

The Commission hereby agrees:

To use all diligence by every lawful means in its power to procure such a demand from the Municipalities, Corporations, Companies or Persons, for the power dealt with by this agreement, so that at as early a date as possible the Commission will be in a position to give the Company the first notice above referred to for the supply of power in question.

To pay the Company for such power reserved or taken under this agreement subject to conditions of paragraph 8 and all other conditions of this agreement, as set forth hereunder, it being understood and agreed that demand for power as defined shall refer to 26,400 volt power delivered, as set forth under paragraph 4.

At all times to take and use three-phase power in such a manner that the current will be equally taken from the three phases and in no case shall the difference between any two phases be greater than ten per cent 10%.

To use and permit its customers to use, modern, standard apparatus most suitable to receive the electrical power purchased under this contract, and to operate and maintain this apparatus to secure the highest efficiency and best operation consistent with good commercial practice. The Commission shall install upon and equip all circuits with such approved protective devices as are in use and operate its circuits in such a manner as will to the greatest extent protect the apparatus of the Company from damage or interruption of power by lightning, short circuits or otherwise.

It is mutually Agreed:

That the electrical power herein contracted for shall be 26,400 volt three-phase, 60 cycle alternating, available twenty-four hours every day in the year during the life of this contract, except as provided in Clause 12.

That the maintenance by the Company of the agreed voltage at the agreed frequency at the point of delivery and the readiness and ability on the part of the Company to supply the said power shall constitute the delivery of all power involved herein and the fulfilment of all operating obligations hereunder, and that when voltage and frequency are so maintained, the amount of power, its fluctuations, load factor, power factor, distribution as to phase, and all other electrical characteristics and qualities, except as in Clause 7 (e), are under the sole control of the Commission, its agents, customers, apparatus, appliances and circuits.

That all apparatus in the Company's plant shall be owned, operated and maintained by the Company at its own expense, except as provided for in Clause #5 (b).

If the amount of power taken throughout the year is greater than the amount of "power held in reserve" the taking of such greater amount shall thereafter constitute a notice from the Commission to reserve one or more additional blocks of power and an obligation on the part of the Company to hold in reserve such additional power in accordance with the terms of this contract.

Point of Delivery:

The point of delivery of the said power shall be at the 26,400 volt outlets of the Company's power plant.

Measurement of Power:

The power taken under this contract shall be measured at the point of delivery provided for herein, but should the Commission deem it expedient to measure the power at any other point or at any other voltage than that specified herein, then all meter readings shall be so corrected for line loss, and transformer losses as to give the same readings as though the meters had been connected at the said point of power delivery. Such corrections shall be based as far as possible on actual tests made on the apparatus concerned or on careful calculations based on test data.

The power taken under this contract and its power factor shall be measured by means of standard polyphase curve drawing wattmeters and wattless component or other suitable meters, owned and maintained by the Commission.

Definitions of Power:

"Peak Power" shall mean the highest average amount of power taken during any twenty consecutive minutes during any one month and continuously available during said month.

"Power held in reserve" shall mean the amount of power that is ordered, held in reserve, and is continuously available, for the Commission's use from time to time throughout the continuance of this contract.

"Surplus Power" shall mean power that is continuously available during any one month in excess of the amount of "power held in reserve."

Payment for Power:

The amount of power taken each month shall be the "Peak Power" as above defined and shall represent the amount of power paid for under the contract.

The Commission shall pay for three-fourths of the amount of "power held in reserve" as defined in paragraph 6 (b) whether it takes the same or not.

The Commission shall take and use three-phase power at all times in such manner that the power factor, i.e., the ratio of the kilowatts to the kilovolt-amperes is a maximum but if the power factor falls below ninety per cent, the Commission shall pay for ninety per cent. of the maximum kilovolt-amperes considered as true power or kilowatts. The maximum in kilovolt-amperes or kilowatts shall be taken as the maximum average or integrated demand over any twenty consecutive minutes.

During the life of this contract the Company's plant may be electrically connected to other plants or systems. It is recognized by both parties that the operation of the Company's plant, maintenance of agreed voltage and delivery of power are subject to the control of the Company's attendants. Under such operation, occasions, arising out of mishap or transferring loads from one plant or system to another may cause exceptional disturbances, when the quantity of power taken or received for short intervals may be considerably in excess of normal peak for such period. It is hereby agreed payment for such excess shall be on a pro rata basis.

The power shall be paid for monthly in gold coin of the present standard of weight and fineness at the Union Bank of Canada in the Village of Merrickville and bills shall be rendered by the Company on the fifth and paid by the Commission on or before the fifteenth of each month.

Price:

All power taken under this contract shall be paid for at the rate of Fourteen Dollars (\$14.00) per horse power per year.

Conditions of Taking Power:

The amount of "Power held in Reserve" shall be increased from time to time in accordance with the conditions herein specified but shall not exceed the amount continuously available at all times in excess of that required in the Corporation of Merrickville.

Should the Company, by addition of equipment or otherwise and with sufficient supply of water, be in a position to increase the amount of power available for the Commission's use, the Commission shall in accordance with Clause 2 A. increase the amount of "Power held in reserve" only at such times as it is able to dispose of such increased amount.

Should the Company have available "Surplus Power" during periods of the year and should the Commission find use for such surplus power this "Surplus Power" may be taken by the Commission under the terms and at the price herein stated. If however the Commission finds that it is unable to use any part of the "Surplus Power" the Company may otherwise dispose of same.

This agreement shall remain in force for a period of twenty (20) years from the date of the expiration of the first notice of 30 days.

It is further mutually agreed that in case of any dispute arising between the parties hereto relative to the fulfilment of any of the terms, provisos or conditions of this agreement or as to the method or accuracy of the measurements of power, or any other question which may arise under this agreement, the same shall be promptly referred to arbitration under the Arbitration Act, R.S.O. 1914, and the findings of such arbitrator or arbitrators shall be binding upon both parties hereto. Either party may appeal from the said findings but in no event shall such appeal be carried beyond the Appellate Division of the Supreme Court of Ontario.

In case any Municipal Corporation which shall contract with the Commission for a supply of power or any person, firm or corporation which shall contract with any such Municipal Corporation or with the Commission for a supply of power furnished to the Commission by the Company, shall suffer damages by the act or neglect of the Company and such Municipal Corporation, firm or corporation, would if the Company had made this contract directly with them have had a right to recover such damages or commence any proceedings or any other remedy, the Commission shall be entitled to commence any such proceedings, or bring such action for, or on behalf of such Municipal Corporation, firm, person or corporation and notwithstanding any acts, decision or rule of law to the contrary, the Commission shall be entitled to all the rights and remedies of such Municipal Corporation, person, firm or corporation including the right to recover such damages, but no action shall be brought by the Commission until such Municipal Corporation, person, firm or corporation, shall have agreed with the Commission to pay any costs that may be adjudged to be paid if such proceedings or action is unsuccessful. The rights and remedies of any such Municipal Corporation, person, firm or corporation shall not be hereby prejudiced.

Subject to the provisions of Clause 16 of this agreement, notwithstanding there may be differences between the parties hereto as to the supply or sufficiency of the said power or the payment thereof or any other questions whatever which may arise under this agreement, the Company shall continue to deliver the power and the Commission to pay therefor and both parties shall continue to carry out the contract notwithstanding such differences and when the matters which may be so in issue shall be finally determined by the reference to arbitration in the manner provided by Clause 15, hereof, the parties shall deal with such matters according to the terms of the award which may be made upon such reference. It being the distinct agreement between the parties that there shall not be during the period of this agreement any stoppage or cessation in the supply of the said power or of the payments therefor; but that the same shall be continued as if there was no difference.

HYDRO-ELECTRIC POWER COMMISSION OF ONTARIORIDEAU SYSTEMInformation obtained from Records of the Hydro-Electric Power Commission re Mississippi River Improvement Company, Limited.

Under date of May 1, 1919, the Commission acquired from the Corporation of the Town of Carleton Place, seventy-five shares of the capital stock of the par value of \$100 each of the Mississippi River Improvement Company, Limited, on which shares, the sum of \$4,125.00 is paid.

The Secretary of the Improvement Company in letter of July 14, 1919, advised receipt of the transfer of 75 shares of capital stock on which \$4,175.00 has been paid, (amount in deed to property acquired is stated as \$4,125) from the Town of Carleton Place to the Hydro-Electric Commission.

The Superintendent of the Right-of-Way of the Commission on October 18, 1921, requested through Mr. Colin McIntosh, Barrister at Carleton Place, an acknowledgment from the Secretary of the Company stating that transfer had been consented to, and in reply received the following letter:

"I wrote to Mr. Stafford the Secretary and he has handed me copies of the transfers of stock from J.M. and A.C. Brown to the Corporation and from the Corporation to the Power Commission.

He states that no stock certificates have been issued as there is only 55% paid on the shares. He is collecting in the tolls up to 1920 and, as soon as they are in the Power Commission will receive recognition of these claims from the Company by the payment of the dividends."

The following statement is included in the correspondence files of the Commission:

Mississippi River Improvement Company, Limited.

Authorized Capital		\$75,000.00
Subscribed Capital	\$36,100.00	
Paid up capital 55% of		
Subscribed Capital	\$19,855.00	
Capital invested	17,516.10	
Difference	\$ 2,338.90	
Upon which owners are not		
paying interest		
Less Losses:		
Loss on Young Bros. assess-		
ment- first levy	43.32	
Loss on Benfrew Flour		
Mills power- first levy	354.01	
Total Loss		397.33
		\$ 2,041.57
Less taxes and up-keep for		
1916		532.07
Balance		\$ 1,509.50

- 2 -

1917

June 30	Cash in bank to credit of Company this date which amount includes Bank Interest allowed	<u>\$ 1,576.20</u>
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It would appear from the above statement, that the Commission's portion of the total paid up capital is 20.77%.

The capital invested as stated in the above is, as per statement on file, made up of -

1911January

To preliminary expenses organizing including incorporation, special Act examinations and investigations and taking over property, etc.	\$ 1,000.00
To paid Brown & Company for works	8,000.00
To contract price of dams at Gull and Long Lakes	5,200.00
To paid contractors extra work on dams	404.20
To small side dams at Gull Lake	375.00
To work performed by Company removing old dams, preparing foundation for new dams and for supervision of work, engineering, etc.	1,982.15

1914January

To wing walls and deepening channel and work in connection therewith	554.75
<u>Total</u>	<u>\$17,516.10</u>

In March 1917 the Commission was appointed arbitrator upon petition therefor to the Lieutenant-Governor, in regard to tolls levied by the Company against water power owners on the River and on March 27, 1917, a night lettergram was sent the following, advising the appointment, and that "all parties interested requested to attend preliminary hearing in Commission's offices *** on Thursday, March twenty-ninth at eleven o'clock," (This meeting was postponed to July 11, 1917).

R.L. McDonald, Sec'y, Almonte Electric Light
Commission, Almonte, Ont.
Thos.E.Caldwell, Lanark, Ont.
Hon. Senator Edwards, Ottawa, Ont.
Geddes Bros., Mississippi Station, K.& P.Ry., Ont.
Brown & Son, Carleton Place, Ont.
Bates & Innes, Carleton Place, Ont.
Arthur Burgess, Carleton Place, Ont.
Galletta El.Light & Power Co., Galletta, Ont.
Benfrew Flour Mills Co., Pakenham, Ont.
Blakeney Grist Mill Co., Blakeney, Ont.
Blakeney Woolen Mills Co., Blakeney, Ont.

Almonte Knitting Co., Almonte, Ont.
Rosamond Woollen Mills Co., Almonte, Ont.
Taylor & Penman, Almonte, Ont.
Wylie & Co., Almonte, Ont.
Thorburn & Co., Almonte, Ont.
Mississippi Iron Works, Almonte, Ont.

At the meeting of July 11, Mr. Pope, Secretary of the Commission, explained that this was merely a preliminary meeting to hear the complaints and grievances of the various power users on the River and to fix a later date for a full hearing in connection with this matter. The transcript of the notes of this meeting covers 19 pages of typewritten matter.

A hearing in connection with this matter was held on June 24, 1917, which was attended by parties interested and the transcript of the notes taken at the meeting, covers 25 pages of typewritten matter.

The file copy of a letter dated December 11, 1917, submitted by the Hydraulic Engineer to the Chief Engineer of the Commission states that the essential points at issue re the Mississippi River Improvement Company arbitration may be classed under the following heads:

1. Parties claiming that they derive no benefit from storage flow and are therefore not subject to assessment.
2. Parties claiming that they are unfairly assessed under the present system of apportionment.
3. Parties claiming that the waters of the Mississippi Basin, as controlled by the dam at Carleton Place, are not being handled in the common interest.
4. Parties claiming that wrongful use is being made of flashboards in handling local pondage.

Under date of July 8, 1918, the Commission gave its award in the matter of the arbitration respecting tolls to be charged on the Mississippi River under the provisions of the Act respecting levying and collecting tolls on the Mississippi River, being Chapter 157, Section 5 of 10 Edward VII. In the award, having certain conditions in view, the following general rules for assessment on the basis of available head were enumerated.

- (a) All developed and used power sites shall be subject to assessment.
- (b) Power sites in use but with works installed not sufficient for making full use of minimum flow, less leakage, shall be assessed on a basis of 50% of the available head.
- (c) Power sites in use, and with works installed capable of making full use of minimum flow, less leakage, shall be assessed for 100% of the available head.

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In a letter dated October 2, 1918, describing the properties of the Improvement Company, the following information is given:

Dams-

The dams owned by the Company at Gull Lake and Long Lake are concrete structures of first-class design and construction, in excellent condition. The dam at Cross Lake is a heavy frame dam between rock filled cribs built on smooth rock surfaces. Some temporary work has lately been done on this dam to improve its stability, but there is a considerable flow through and under the dam which does not, however, altogether detract from its effect as a reservoir and it still is yielding service.

Operation-

There are two interests that clash with the operation of the storage dams for power purposes, particularly on Long Lake and Gull Lake. A certain amount of hay is cut from the low lands by the people living adjacent to the lakes. Some of this hay is on land that the inhabitants have rights on, and some of it is on land not patented at all. Some operation of the dams is necessary in the interests of these farmers, which results in the water being spilled from the lakes before it is required for power purposes. There is considerable log driving done on the river yet, and though the subsidiary dams for this purpose delay the flow of the water they do not conserve it for power as it is generally let down too soon. Again when they are passing through the larger storage dams they use considerable water that would be more useful for power purposes at a later date.

Included in the files is a statement of the tolls to be collected for the years 1916 to 1920 inclusive to provide for the following expenses:

<u>Particulars</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1920</u>
Expenses and upkeep \$	466.06	546.89	471.80	717.55	1,297.01
Taxes	66.01	77.45	82.37	86.47	107.14
Annual Interest on capital invested of \$17,516.10 at 6%	1,050.96	1,050.96	1,050.96	1,050.96	1,050.96
<u>Total</u>	<u>\$1,583.03</u>	<u>1,675.30</u>	<u>1,605.13</u>	<u>1,854.98</u>	<u>2,455.11</u>

of which there has been assessed against the Hydro-Electric Power Commission, from the date of acquisition of stock, May 1, 1919 to December 31, 1920, the following:

May 1, 1919 to December 31, 1919	\$ 121.56
Year ending December 31, 1920	1,158.81
Total amount paid by Commission	
October 11, 1921	\$ 1,280.37

In letter dated November 17, 1931, the Mississippi River Improvement Company, Limited, enclosed a cheque for \$363.93 being the initial dividend on 75 shares of stock from May 1, 1919 to December 31, 1930. The dividend is based at 6% per annum, on the amount of paid in capital invested in properties, i.e., \$17,516.10. Based on the entire amount of paid in capital of \$19,855.00, the dividend is equivalent to 3.293% per annum.

The Legislature of Ontario passed, under date of March 19, 1910, "An Act respecting Levying and Collecting Tolls on the Mississippi River", and in connection with the above rate of interest, we quote from Section 2 of that Act, as follows:

"The said 'The Mississippi River Improvement Company, Limited', when any of the said dams are completed, may demand and take annually from the owner or owners of the said water powers in and along the said Mississippi River then being used and benefited by said dam or dams an annual toll in each year sufficient to pay to the said company interest at the rate of six per centum per annum on the money then invested by said company together with a sum sufficient to meet and satisfy the amount expended annually by the said company for maintenance and operation of the said dams and works incidental thereto, such annual toll on each water power owner to be assessed and levied upon the basis of the benefits said water power owner received by the erection and maintenance and operation of the said dams, and the said company shall have the right, if necessary, to sue and recover therefor accordingly." (10 Edward VII, Chapter 157, Section 2).

The following excerpts are given, of a memorandum dated June 12, 1932, by Mr. C.C. McLennan, Assistant Engineer, to the Chief Engineer:

In accordance with instructions the writer attended the annual general meeting of the Mississippi River Improvement Company, Limited, held at Almonte on the 7th June. There were in attendance -

Mr. Rosamond	President
Mr. J.H. Brown	General Manager
Mr. Stafford	Secretary
Mr. Thorburn	
Mr. C.C. McLennan	Representing the Hydro-Electric Power Commission

The minutes to May 22, 1932, were read and showed that all tolls, inclusive of 1930, had been collected with the exception of \$80.00 from the firm of Lee & Company; no hope was held of obtaining this money owing to the Company having surrendered their charter.

The Auditors' report was read and passed.

In order to allow a representative from the Hydro-Electric Power Commission to attend a meeting of the directors, the undersigned as their representative, was then elected a director of the Company.

